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HIGH PRICES—CAUSES AND REMEDIES

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ON this subject there is now such general agreement that even the Supreme Council of the European Entente Powers has become aware that high prices are due to too much money and credit and too few goods. When once the cause is seen the remedy is obvious but not therefore easy to obtain. We want more goods or less money and credit or both.

More goods can only be produced if people will work harder. A great many people, at least on the European side of the water, have been deluded by the War's experiences into a belief that if only governments spend enough money there is wealth for everybody and consequently do not see why they should work as hard as they used to, and in many places those who are willing to work cannot work as hard as they would for lack of material, machinery and transport. It seems to me that only uncomfortable experience can cure the delusion that the need for hard work is an obsolete anachronism. Those who would work and cannot for lack of supplies can only be helped to get to work if those who command surplus buying power will place it at their disposal in the form of loans. This can best be done through the ordinary machinery of private investment and credit, and this machinery cannot be expected to work freely until political stability is secured and a beginning has been made towards correcting the abuses of government finance in the countries that now have to appeal to foreign investors. Even then it will be a difficult task under present conditions to secure by saving anything like the amount of capital that is necessary; and it is by saving that the true remedy for this part of the problem has to be found, since saving transfers buying power to those who need it whereas creations of new credit merely make new buying power to compete in the depleted market for goods. On this side of the world it may almost be said that all governments are discredited and their appeals to those whom they rule to work harder and spend less

are laughed at in the light of the example that they have set. But it is still perhaps possible that a clear statement by leaders of financial opinion showing the world's needs for goods and capital and that working and saving are the only way to find them might have some practical effect. If once the goods and capital were available and if once political and economic stability were secured in the countries that need them I have no doubt that private enterprise would put them where they are wanted owing to the prospects of great profits that are held out.

As for the too-much-money end of the problem its details differ widely in different countries but of practically all it may be said that the way to attack it is by redemption of credit and currency out of the surplus of revenue—real revenue collected out of the pockets of the people by taxation and not by official sales of war stores—over expenditure. In England, at least, the banks are hampered in their task of financing industry by the large holding of government securities which is a legacy of the war. As fast as these securities can be paid off, out of tax payments which diminish bank deposits, so fast will the ability of the banks to finance industry be increased without causing any net addition to bank deposits.

Many Englishmen, who ought to have known better, have blamed America for the low value of sterling in New York, just as many Frenchmen and Italians blame England for the depreciation of the exchange value of their currencies in London. Every country is responsible for the value abroad of its currency which reflects the extent of the effort it is making to be solvent. As long as official extravagance continues and as long as the printing press is used to paper over the gap between revenue and expenditure, as long as official meddling and control discourage production and warp distribution, no help from outside can effect much. We want peace in fact as well as in name and the free interchange of goods between all countries before a real impression can be made upon the scarcity from which the world is now suffering.

I am asked to express an opinion on the Anglo-American aspect of the remedies for high prices. I find it difficult to do so in the first place because it is a world problem, in the second because it is paradoxically a problem which each country has to solve for itself, and in the third place because it is a problem

which presents quite different aspects to America, which is practically self-sufficient, and England with her dependence on a world-wide trade. Nevertheless coöperation on it must be valuable between our two countries, yours with its boundless future and ours with its great industrial past. And I am inclined to think that a conference organized by the business leaders of both nations and attended by business representatives from the leading neutral countries and others that are in a position to dispose of capital might effect something by an explanation to the workers and capitalists of the world as to what is needed to stop the rise in prices, and to the governments of the impoverished countries as to the measures that have to be taken before capital can be expected to flow to them.

Finally it is my conviction that a great step would have been taken towards improving economic sentiment if the American and English governments were to wipe out the war debts to them of the European countries which fought by their side and have been much more seriously impoverished than America and England. If this were done and England's war debt to the American Government were funded into a 40 or 50 year loan something would have been done towards lightening the international burden which is part of the after-war European nightmare.